

## REPORT FOLLOW-UP

## AGENCY: DIVISION OF VOCATIONAL REHABILITATION

On April 14, 2006, the Legislative Services Office released a *Management Report on Financial Procedures* for the Division of Vocational Rehabilitation for fiscal years 2003, 2004, and 2005. The Division was contacted on September 29, 2006, and this follow-up report addresses how it has responded to the three findings and recommendations contained in that report.

## STATUS OF RECOMMENDATIONS:

**FINDING #1** – The Division was not in compliance with the allowable costs requirements for the Rehabilitation Services Basic Support Grant, resulting in \$432,400 of questioned costs. Counseling, vocational training, job placement, and rehabilitation technology services are provided to disabled Idaho residents to assist in retaining or entering into employment commensurate with their abilities. The State spent more than \$13 million in grant funds, and more than \$3 million in State matching funds.

The Office of Management and Budget (OMB) *Circular A-87* provides methodologies for charging costs to grants. The Division did not comply with this circular, as it did not (1) have an indirect cost rate approved by the cognizant agency; (2) properly allocate costs to the basic support grant; or (3) properly document employee time worked on the grant, in order to allocate payroll costs correctly.

**We recommended that the Division obtain an approved indirect cost rate plan, properly document payroll costs, and consult with the federal cognizant agency regarding the questioned costs.**

**AUDIT FOLLOW-UP** – The Division has filed an indirect cost rate proposal dated March 10, 2006. The rate proposed is 10.677%. The Division has communicated with the federal cognizant agency; however, as of August 31, 2006, the federal cognizant agency had not yet approved the rate proposal. In April 2006, the Division implemented a policy and a new system for personnel activity reporting in compliance with *OMB Circular A-87*. This will allow proper documentation of payroll costs in accordance with *OMB Circular A-87*.

The Division consulted with the federal cognizant agency regarding the questioned costs. The federal cognizant agency stated the Division needs an indirect cost rate, but has not addressed the status of the questioned costs.

## STATUS – IN PROCESS

**FINDING #2** – The Division did not fully comply with all federal requirements for the Basic Support Grant. *OMB Circular A-133* established 12 compliance requirements for the grant. The Division did not comply with three of the requirements during fiscal year 2005. The following explains:

1. Cash management requests for reimbursement of costs spent on the grant were not properly documented in two instances totaling \$500,000.
2. An applicant's eligibility for services must be determined within a reasonable time period, not to exceed 60 days after an application is submitted. Between October 1, 2004 and September 30 2005, 450 new client applications went beyond the 60-day requirement, of which 153 did not document the exception for an extension of time.
3. Amounts reported to the federal government did not correctly identify cost to the grant because there was no approved indirect cost rate, as noted in Finding #1.

**We recommended that the Division fully comply with applicable federal requirements by (1) documenting all costs prior to requesting reimbursement, (2) documenting all eligibility determination extensions, and (3) correcting the required reports to show proper federal costs.**

**AUDIT FOLLOW-UP –**

1. The Division has implemented specific procedures to ensure adequate documentation for all reimbursement requests, and has as establishing a borrowing authority of \$800,000 with the Idaho Division of Financial Management to avoid cash flow problems.
2. The Division has implemented new procedures, including the creation of a critical case documentation template that specifically directs counselors to complete an electronic form that establishes a specific time frame and justification for extending eligibility determination. The system will impose an "activity due reminder" to ensure that the decision is completed within the extended time frame. Division staff were trained and familiarized with the program modification and the system was implemented. An interim quality assurance review was completed on September 30, 2006. Results have not yet been finalized.
3. The Division has corrected all reports.

**STATUS – CLOSED**

**FINDING #3 – The Community Supported Employment Program and related services were not coordinated or monitored.** This program was shifted from the Idaho Department of Health and Welfare to the Division of Vocational Rehabilitation at the beginning of fiscal year 2005. During fiscal year 2005, the Division received \$3.97 million for this program. Most of these funds (\$3.76 million) were paid to providers for community-supported employment and related services for developmentally disabled clients. Many of the providers also provide developmental therapy services that are billed to the Medicaid program. During fiscal year 2005, more than \$28.7 million in Medicaid funds were paid to these same providers. Other State agencies, including the Department of Commerce and Labor, Department of Administration, and Department of Health and Welfare, purchased more than \$7 million for other goods and services during this same time period.

Coordinating and monitoring funding for community-supported employment is essential. The Division has two employees assigned to the program who visit provider sites, but do not document their visits. Without full monitoring of program services and related costs, the Division is unable to ensure that program objectives are being met.

**We recommended that the Division establish a monitoring program for the Community Supported Employment Program.**

**AUDIT FOLLOW-UP –** The Division has created a form for monitoring vendor activities pertaining to purchased services. The Division has also completed a "draft" monitoring procedure that was presented to vendors in September. Once vendors' comments and suggestions are digested, the administrator will review and approve the new monitoring procedure and implementation will be finalized.

**STATUS – IN PROCESS**